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CAPITAL AND POWER IN THE 21ST CENTURY (EXTRACT)

ECONOFICTION CAPITAL, DERIVATIVES, ECONOMY, IMPERIALISM, MARX, MARXISM, MONEY, POWER

The world economy is currently in a phase of secular stagnation with persistently low growth rates of the real gross domestic product.1 The litanies of boundless economic growth that the representatives of capital and the imperialist states repeatedly prayed to the populations after the Second World War have literally come to nothing. Since the 1980s, the global economy has been increasingly driven and determined by financialized capital, which today operates at a high level of financial consumption, investment and speculation. At times, debt has risen far beyond the capacity of debtors to repay it at all. The assertion that a rise in inflation would lower the debt level by lowering its value has so far proved invalid. The financial problems surrounding indebtedness are also linked to other crisis situations, such as the weakening of accumulation rates and the decline in capital investment, the insufficient renewal of the capital stock, deflationary price developments and chronic low interest rates, slower population growth and an ageing population, lower growth rates in the productivity of capital accumulation2 and a slowdown in innovation. Finally, there are declining natural resources such as water, food and energy, climate change initiated by capital – biodiversity reduction, stratospheric ozone depletion, ocean acidification, extreme weather conditions, precarious drinking water supplies, chemical pollution and changes in soil conditions, to name but a few. There has been less growth in international trade, emerging markets and capital flows. The idea that the increase in government spending, low interest rates and the provision of liquidity and cash on the money and capital markets would generate higher economic growth has so far been refuted by reality. In those countries that have recovered somewhat since the financial crisis of 2007 ff., we have long been confronted with a growing financial industry again, while even there the standard of living and the real wage for large parts of the population is stagnating or continues to fall. Public goods such as health, education and pensions continue to be privatised and their quality standards are falling, not to mention the standard of living of future generations. Youth unemployment is rising almost everywhere in the world. At the same time, debt has also risen due to low interest rates and increased government spending, while the size and market power of the banks (together with the shadow banking system) continue to play an important economic role. The policy of light money or quantitative easing has increased the prices of equities and financial assets and destabilized the growing emerging markets.

Fictitious and speculative capital (financial instruments and promises of payment) were present as a kind of embryo from the very beginning of capitalism, especially when one considers that the capitalist production of companies must in principle be pre-financed and that debts, which are quasi insured with the goods produced in the future, will thus ever arise. Accordingly, capital

is not to be understood as an (absolute) positive value, as the famous economist Joseph Schumpeter, for example, still assumed, but as a socio-economic relationship in which precisely the intentional negative (debt) is to be understood as a positive condition for capitalist production, as the former GDR Peter Ruben, for example, explains – capital or capitalization is debt production sui generis. (Ruben 1998: 53) In many cases, apart from the self-financing of large enterprises, capitalist production processes are set in motion uno actu with a credit contract. And the possibility for capitalist enterprises to pledge their future goods as security implies that their products (the right to extract a surplus with them) are potentially already capital before anything is even produced and then realized as a commodity. So we've ever faced a financialized capital production and that's why Marx calls his book Capital and not Goods or Money.

Insofar as interest-bearing, fictitious and speculative capital in the form of loans, bonds, stocks and derivatives has increased much more rapidly today and has at least nominally taken on a much larger volume than priced industrial and commercial capital, the growth of assets can hardly be attributed solely to the accumulation of capital in the "real economy". Instead, we can assume here an endogenous, i.e. an immanent, financialized capital formation potential that affects the real economy and produces productive, but also negative, economic effects.3 Financial capital today operationalizes loans, fictitious and speculative capital and other multiple capital equivalents in enormous sums, which are characterized by their high liquidity, mobility and commensurability and therefore process in very specific forms of movement that are perhaps not dissimilar to those of the fashion and marketing industry. The increase in fictitious and speculative capital in particular in relation to the abstract wealth of an economy is reflected in an ever-increasing share of financial profits within the pool of total company profits. Even the profits resulting from the derivatives are not to be regarded as fictitious in a vulgar sense, for the derivatives are realized in money and thus possess all the characteristics of capital power, especially in access to the abstract wealth produced in an economy. Although these profits (dividends, interest and the profitable realization of assets in money) have no direct relation to industrial production and the circulation of classical goods, they are generated auto-referentially by the financialized processes, but nevertheless they have quite real effects on the "real economy".

The modern financial system is an immanent social relation of capital, which not only includes the multiplication of capital by diverting money capital from the shrinking to the expanding sectors of the economy, but also by the financial system self-referentially generating profits and at the same time securing capitalist power relations in a comprehensive, albeit crisis-like way. The permanent evaluations, evaluations and calculations of the exploitation processes of capital, which currently take place particularly via the financial system, have important consequences for the national economies and for the organization of capitalist power relations as a whole and strengthen the implementation of the hegemonic capital tendencies in a given economic cycle in the entire antagonistic socio-economic field.

This Marxist position is contrasted by a number of theoretical approaches dating back to Ricardo, which extend from Veblen, Hilferding and partly also Keynes to the positions of post-Keynesianism and accelerationism, post-Marxism (Negri/Hardt, Zizek, Lapavitsas, etc.) and such positions as those of Bichler/Nitzan, which are heterodox today: The power of capital here is derived primarily from the property relations, the profit of capital appears in part as an absolute pension (see the talk of financial feudalism); the financial system organizes the sabotage of industrial relations, which are mainly shaped by technicians and workers, and it is based, following system theory, on a system of second-order observation (cf. Luhmann 1984, Esposito 2010). The rise of the modern financial system is summarized as unrealistic, hypertrophic and dysfunctional, possibly still as the distorted image of an ideal productive capitalism. This is a position diametrically opposed to Marxism.

The financial markets today have a dual function – on the one hand they evaluate the economic actors (companies, states and households) by means of statistical and stochastic power technologies, and on the other hand they function as a functional instance of the capitalization of future promises of payment, whereby these are now traded at the speed of light on a global scale. While accounting in the "real sector" has long been past oriented, from the 1970s onwards future oriented capitalisation, i.e. the calculation or discounting of expected payment flows and promises, mutated into the most important method of the capitalist financial system, with which the attainment of monetary profits either takes place in real terms or is at least financed. Derivatives and all other exotic financial instruments, which on the one hand have to be understood as power technologies and on the other hand as new speculative forms of capital with which profits can be made, are today a necessary condition for the continuous implementation of financialisation in the entire economic field. They introduce a formative perspective on the current concrete risks, make them commensurable with one another and thus reduce the heterogeneity of the concrete risks to a single security, i.e. to a single social attribute, namely the abstract risk that the derivatives sell.but which must always be realized in money.

The analysis of the financial system4 must not be carried out as that of an independent financial sector or as that of a specific type of institutionalisation, but must assume that today, without exception, all large capitalist companies carry out important financial operations. Here, in his new book Finance Capital Today, the French economist François Chesnais distinguishes between finance as a highly interconnected and interdependent conglomerate of major banks, insurance companies, pension and investment funds, shadow banks and central banks, transnational industrial and commercial corporations and powerful wholesalers (organizational level), and finance qua finance, the processes of expansion of fictitious capital and derivatives held, designed and traded by large banks, investment funds and hedge funds on the financial markets (procedural and functional level). (Chesnais 2016: 36) With regard to such factors that characterize companies as number, size, balance sheet total, business volume, degree of networking, position in the capitalist reproduction process and power position, there has been an important change in the global financial system and world markets in recent decades. In their analyses, the authors Glattfelder, Vitali and Battiston show that 737 companies currently influence around 80 percent of the entire global market, with a highly networked core group of 147 companies alone influencing almost 40 percent. This network consists almost exclusively of British and

American banks and financial firms. (Cf. Sahr: Kindle-Edition: 8621). At its peak, the financial industry in the US generated 40% of all domestic corporate profits and represented 30% of the market price of US equities. (Satyajit Das 2015: Kindle Edition: 571). The financial system benefits from the asymmetries of the enormous amount of information resulting from the actions of buyers and sellers of complex financial products, which in turn exploit the discrepancies in ratings to generally lower the cost of capital. In addition, the practice of share buybacks and capital repatriations leads to rising share prices. In January 2008, large US companies used 40% of their cash flow to buy back their own shares. (ibid.: 604).

The metaphor of the "central nervous system of capital" used by Tony Norfield in his book The City to characterize the current financial system aptly suggests this development of capitalist economies. If the principle of capital is the engine of the breathing monster called total capital, then the financial system is its brain and central nervous system.5 (Norfield 2016: Kindle Edition: 168) Randy Martin (Lee, Martin 2016: Kindle-Edition: 3312) has pointed out in this context that the financial system is immanent in the three volumes of Marx's capital insofar as it assumes an important function for the reproduction of capital in the movements of production and circulation and the associated need to anticipate risk. The financial system executes to a not inconsiderable extent the competition, coordination and regulation of companies (in all sectors), which in turn presupposes the a priori of total capital, which is updated by the real competition of companies, which for Marx is always a war rather than a ballet. Financial capital constantly modulates the competition of all companies and rekindles it – it is therefore an integral part of the capital economy and not a cancer that a doctor removes in order to restore the health of the capital body.6

For Norfield, the operations of the financial system are by no means limited to the manifold strategies of banks, investment funds and other financial institutions; rather, they affect the capitalist system and its enterprises as a whole, insofar as industrial and commercial enterprises must also constantly carry out a multitude of financial transactions. For example, international companies use private banks to obtain the currencies they need to buy imported goods, or to exchange profits from their export transactions for local currency. Companies borrow short-term credit from private banks to secure their cash flows, or take out longer-term loans to finance their investments. They issue bonds or shares in financial markets to raise money from investors, and they use derivatives to hedge against adverse movements in interest rates that limit their profitability. For example, purchasing for the purchase of raw materials, IT systems, buildings, machinery and labour to produce new goods to be sold at a profit can be reduced by pending interest payments. And the net profits of industrial companies are affected by all sorts of financial transactions, from hedging currencies to interest rate risks, especially when companies themselves invest in financial collateral. The financing of capitalist production and circulation is a crucial aspect of the reproduction of capital on extended ladders.

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extract from the book: Capital and Power in the 21th Century

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